We estimate that every $10 million in Maryland state deposits (primarily certificates of deposit) moved from out-of-state mega banks to smaller in-state banks is likely to create or retain between 6 and 11 in-state small business jobs (see Table 1). The more narrowly these funds are directed to the smallest banks (those with total assets <$1B) and particularly to small banks that specialize in business lending, the greater the job effects per dollar moved. Based on assumptions described below, this yields an estimate of up to 1,900 additional jobs created or retained in Maryland if the state proceeds as planned.

<table>
<thead>
<tr>
<th>Table 1. Estimate of In-State Small Business Job Growth per $10M Moved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland Medium Banks (Assets $1B-$10B)</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Maryland Small Banks (Assets&lt;$1B)</td>
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<tr>
<td>Maryland Specialized Small Banks (Assets&lt;$1B)</td>
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<tr>
<td>Maryland Specialized Small Banks (Assets&lt;$1B)</td>
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</tbody>
</table>

Job Creation per Dollars Moved

Based on FDIC quarterly data, we compared loan to deposit ratios (total and small business) between banks with more than $100 billion in assets and banks with assets less than $10 billion. We found that the medium and small banks had total lending rates that were 16 to 20 percentage points greater (see Chart 1) and small business lending rates 11 to 20 percentage points greater (see Chart 2) than the mega banks.

In order to better estimate the effect of moving deposits on small business lending, we discounted loans that would have been made without the new state deposits, loans that would have been made by other banks (except the mega banks), and loans that would be made to out-of-state clients.
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